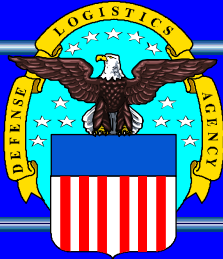


Progress Payment Distribution

- **DCMC Tasks**

- Implement Progress Payment Distribution Effective 1 Oct 97
 - Identify distribution of payments for contracts issued prior to 1 Oct 97 with fewer than 5 progress payments.
 - Administer payments to revised DFARS coverage on contracts issued on or after 1 Oct 97.
- Identify impact of implementation to DDP



Progress Payment Distribution

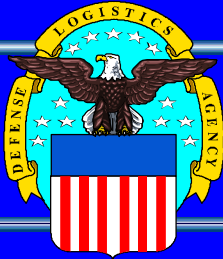
- **Background**

- Issue originated in 1992 IG review of progress payments on Titan IV.
- IG found that payments were not charged to CLINs/ACRNs reflective of where work was performed and this was in conflict with anti-deficiency act requirements.
- DFARS Case 97-D011 initiated requiring inclusion of one of four possible distribution methods in contract payment instructions.



Progress Payment Distribution

- **Background (continued)**
 - 23 July 1997, Dr. Hamre issued memos to DFAS and DDP. Effective 1 Oct 97, Contracting Officer or CAO to provide distribution for progress payments by CLIN/SLIN
 - DDP issued memo 6 August, 1997, restating requirements of Hamre memos and indicating that the DFARS change should be in place by 30 September 97.



Progress Payment Distribution

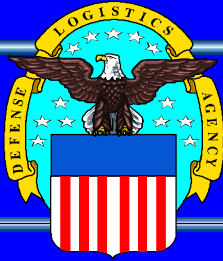
- **Identification of implementation requirements**
 - On 13 & 14 August, we assembled a task force of ACOs, FASST team members, and a DFAS representative to address implementation.
 - The group identified possible changes to existing processes; impacts to automated systems, effects on cycle time and implications to resources.



Progress Payment Distribution

Actions Required Prior to 1 October Implementation

- Seek Policy Clarification From OSD
- Identify Changes to Automated Systems
- Issue Policy Letter
- Develop and Provide Training



Progress Payment Distribution

- **Policy Clarification**

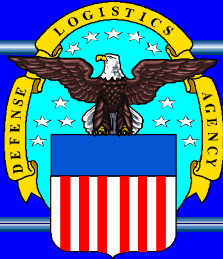
We desire clarification in two areas:

- That providing progress payment distribution instructions is part of the PCO function of developing contract terms and conditions, not part of the ACO function of administering progress payments.
- The DDP memorandum indicates that progress payments will be administered and loss ratios applied, at the total contract level. What will happen when the distribution indicates there are insufficient funds in an individual ACRN, but funding is sufficient for the total contract ?



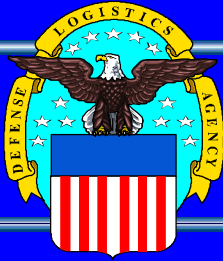
Progress Payment Distribution

- Identify Changes to Automated Systems
 - Automation task group is meeting in Boston to identify system requirements
- Issue Policy letter
 - Draft policy letter initiated. Holding for final guidance from DDP.
- Develop and Provide Training
 - Estimate 8 hours of training for all personnel involved in processing progress payments. Materials in development.



Progress Payment Distribution

- Impact of Implementation
 - Methodology
 - The Process Task Force identified and charted changes to the progress payment process and processing times.
 - Data from PLAS and MOCAS were obtained on volume of payments, contracts, API, EDI and labor expenditures.
 - Based on this data, an estimate of number of effected actions and increased hours for each process or sub-process were created.



Progress Payment Distribution

- Impact of Implementation(continued)

Process Impact

	Current Process	New Process
API	54%	0%
EDI	30%	0%
ACO Processing	20%	100%



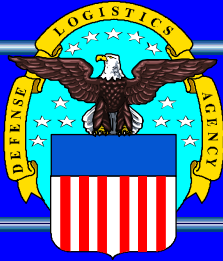
Progress Payment Distribution

- Impact of Implementation(continued)
 - Cycle Time (Prompt payment states 14 days)
 - Minimum Impact 4 days
 - Maximum Impact will exceed 14 days
 - Resources
 - FY 98 estimate is an additional 152 FTEs
 - FY 99 estimate is an additional 222 FTEs



Progress Payment Distribution

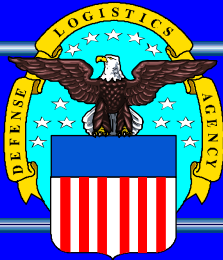
- Impact of Implementation(continued)
 - Automation
 - Major changes to SPS/DPPS required
 - EDI transaction set for progress payment needs to be changed to allow for inclusion of CLIN/ACRN data.
 - MOCAS changes will have to be evaluated on possible benefit compared to cost.



Progress Payment Distribution

Possible Mitigating Factors

- Possible recommendations of Progress Payment Simplification Working Group
- Adoption of CLIN/ACRN IPT recommendations.
- Use of ACO Notebook function could provide automation work around.



Progress Payment Distribution

Recommendations:

- Issue letter to DDP requesting clarification of policy.
- Provide impact to DDP.
- Continue to work with DDP and DFAS on final guidance.
- Issue information letter providing heads-up to field.
- Issue policy letter when final guidance is provided.
- Develop and provide training as quickly as